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COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Competitive Metering, Billing and Information Services) D.T.E. 00-41

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REPLY COMMENTS OF

SCHLUMBERGER RESOURCE MANAGEMENT SERVICES

Schlumberger Resource Management Services ("Schlumberger RMS") is pleased to offer the following Reply Comments regarding competition in metering.

These Reply Comments focus on just three points. First, in the initial round of comments, many parties joined Schlumberger RMS in pointing out that advanced metering is necessary to achieve the full benefits of retail electric competition. Second, regulatory certainty regarding advanced metering is necessary to achieve those benefits. Third, San Diego Gas & Electric has recognized that advanced metering is the solution to the very high electricity prices in California this summer, and has proposed installing advanced metering for all of its customers.

I. THE BENEFITS OF ADVANCED METERING

In its Initial Comments, Schlumberger RMS echoed the Department's comment that advanced metering is "an essential component of having customers enjoy the full benefits of a competitive generation market." Model Terms and Conditions, D.P.U./D.T.E. 97-65, p. 58 (December 31, 1997) (emphasis added).

Schlumberger RMS went on to describe six critical benefits of advanced metering:

1. Reducing electricity prices by giving customers the incentive to shift usage away from peak periods.
2. Reducing generator market power by creating a demand response to high prices.
3. Enhancing system reliability by enabling price to bring supply and demand into balance as it does in other competitive industries.
4. Expanding customer choice by making it possible for suppliers to offer and customers to choose a variety of pricing options.
5. Creating opportunities for load control products and services by enabling customers to benefit from shifting usage.
6. Improving supplier forecasting by giving suppliers access to daily (or even hourly) usage information as opposed to monthly usage information.

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In the initial round of comments, many other parties joined Schlumberger RMS in pointing out that advanced metering is necessary to achieve the full benefits of electric competition. Significantly, the critical importance of advanced metering was recognized by parties on all sides of the competitive metering issue: parties that support competitive metering, parties that oppose it, and parties that are neutral. We have quoted from the comments of the other parties below.

Si the New England LLC

Si the's comments describe the essential role of enhanced metering (one of the components of MBIS) in the development of well-functioning power markets. Efficient power markets require price-responsive supply and price-responsive demand. In order to respond to price changes, customers require enhanced MBIS facilities and services, including hourly meters.

Initial Comments of Si the New England Holdings LLC, Executive Summary, p. 1 (August 1, 2000).

MHI Power Options

While the issue of competitive metering is complex because of existing investment in hardware, we believe advanced metering is a critical component to demand bidding. . . . We urge the DTE to consider adopting rules which encourage the spread and use of "state-of-the-art" metering.

Letter from Robert Ci olek to Andrew Kaplan (August 2, 2000).

Division of Energy Resources, the Attorney General, Associated Industries of Massachusetts, and The Energy Consortium

Improved Energy Efficiency. Advanced metering technology can give customers detailed information on their energy use, leading to better management of consumption and energy savings. . . . The ability of new meters to record interval usage data, as well as to transmit such data electronically, makes possible levels of energy management by customers, and by suppliers on their behalf, that were previously unattainable by most customers.

Improved Energy Supply Reliability. . . . [G]reater deployment of time-of-use meters would provide direct incentives to more customers to reduce consumption of electricity when it is most expensive (due to the higher operating costs of peaking plants) and most harmful (due to their higher pollution emission rates).

. . . .

Improved Distribution System Reliability. . . . Advanced metering technology installed by competitive providers can be a source of new, valuable information for distribution companies. . . . Better energy usage information will allow for improved load management and load forecasting and better contingency planning. Voltage reductions and power failures can be reduced as distribution companies more efficiently manage network resources.

Joint Initial Comments of The Division of Energy Resources, the Attorney General, Associated Industries of Massachusetts, and the Energy Consortium, pp. 8 - 10 (August 1, 2000).

Competitive Retail Providers

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The installation of advanced metering is necessary to achieve the full benefits of electric competition. The benefits of advanced metering include the following:

1. Pricing options

Advanced metering enables Suppliers to offer multiple pricing options, such as time of use rates. This increases the number of choices for customers, and enables them to save money by shifting usage to off-peak periods. . . .

2. Improved reliability and lower prices through customer price response

[I]f customers had hourly meters, they would have the opportunity to see and respond to price spikes. This could enable price to bring supply and demand into balance, as it does in other competitive industries, thus improving reliability. Also, customer price response during peak periods would reduce demand in those periods that, in turn, would bring prices down.

3. Improved capacity utilization

The price signals made possible by advanced metering can reduce extreme peaks. In addition, they could also lead to an overall shift of usage to off-peak periods and thus an increase in the utilization of generating capacity. This will produce true efficiencies and cost savings for all electricity consumers.

4. Enabling load control products and services

Among the greatest consumer benefits from electric restructuring should be the development of a new generation of "behind the meter" products and services. Among the most exciting should be smart devices that see and respond to price signals. . . . However, without advanced metering, these devices cannot provide benefits to consumers. . . . A "smart" appliance is no help if you have a "dumb" meter.

5. Improved accuracy and fairness of settlements

Given that the wholesale market settles on an hourly basis, each customer's usage must be calculated for every hour of every day. Without advanced meters, this is done using statistical load profiles rather than actual recorded usage. . . . With advanced meters, Suppliers would be responsible for the costs that their customers actually impose on the system.

6. Improved forecasting and reduced risk

. . . .

The accuracy of forecasting would be greatly improved if daily meter reads were available. Yesterday's usage is the best predictor of tomorrow's. Having to forecast based on monthly meter reads increases inaccuracy, risk, and costs to Suppliers and customers.

Comments of Competitive Retail Providers, pp. 9-11 (August 1, 2000).

Utility.com

[A]dvanced metering is the key enabler of the competitive electric market. It will bring wholesale (and thus retail) prices down by allowing customer price response. It will also make possible a host of new retail products and services, and thus a host of new choices for customers.

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... [W]hen customers have advanced metering, they can see and respond to price signals. When they do, two things happen: 1) the individual customers that shift load save money; and 2) the system peak is reduced, which reduces market prices for everyone. Since prices increase quite rapidly at times of high system peaks, a fairly small reduction in demand can have a very large impact on prices.

Advanced metering will also enable new product and service offerings built around price signals.

Initial Comments of Utility.com regarding Competition in Billing and Metering, p. 3, 6 (August 1, 2000).

II. THE NEED FOR REGULATORY CERTAINTY

The benefits of advanced metering recognized by so many of the parties to this proceeding can be achieved only if the Department provides regulatory certainty regarding advanced metering investments.

The current situation is one of maximum uncertainty: metering is not competitive now, but may become competitive soon. In this environment, no one will invest in advanced metering: competitive suppliers can't because metering is not competitive; utilities won't because they don't know whether they will be able to recover their investments. As a result, no one provides advanced metering and customers lose out on its benefits.

Therefore, the most important step that the Department can take is to resolve this uncertainty. Whether the Department opts for competitive metering or against it, it should make the rules clear. Then, and only then, will the appropriate parties be able to deliver advanced metering to customers. Then, and only then, will customers realize the full benefits of electric competition.

III. SAN DIEGO'S METERING SOLUTION

As the Department is no doubt well aware, customers in San Diego have experienced exceptionally high electricity prices this summer. Various parties have offered a range of "solutions," from mandatory rate cuts to undoing electric competition.

San Diego Gas and Electric ("SDG&E"), however, has identified advanced metering as the solution to the problems in the San Diego market. In a filing with the California Public Utilities Commission, SDG&E has proposed installing hourly meters for all of its customers. Application of San Diego Gas and Electric Company (U 902-E) for Authority to Provide Customers with Real Time Energy Meters, Cal PUC Docket No. A.00-07-055 (July 31, 2000).

In its filing, SDG&E explained that advanced meters will:

...empower customers to take control of their electricity bills by reducing usage during times of peak prices. These reductions in demand will, in turn, reduce peak prices for the benefit of all customers -- even those who are unwilling or unable to reduce their demand in response to high prices. Moreover, to the extent that peak prices correspond with peak demand on SDG&E's system (as will often be the case on hot summer and early fall days in Southern California), this price-driven demand reduction will reduce consumption at the very time that such load reductions are most needed. SDG&E also anticipates that these peak load reductions will provide environmental benefits by encouraging conservation and by reducing reliance on "dirty" sources of generation to meet peak demand.

Id, pp. 1-2.

Importantly, SDG&E's metering proposal addresses the underlying causes of the price

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spikes. The mandatory rate cut "solution," while likely necessary in the short term, does nothing to prevent future price spikes. It reduces the pain (for now) but does not solve the problem. With advanced meters, however, customers will have the tools they need to reduce their costs, and their actions will bring prices down for all.

Respectfully submitted,

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